

Organizations that qualify as exclusively religious, charitable, or educational can apply to the Illinois Department of Revenue to obtain tax exemption identification numbers. See 86 Ill. Adm. Code 130.2007. (This is a GIL.)

September 24, 2001

Dear Xxxxx:

This letter is in response to your letter that we received on June 19, 2001. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be accessed at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

Please prepare for us a private letter ruling confirming our position on the following matter relating to one of our clients.

A not-for-profit organization is exempt from sales tax for sales of assistance materials for the disabled to its constituents. While some items are available from retail outlets, many are not. Sales are at cost and primarily for the convenience of the not-for-profit organization's constituents. The not-for-profit organization is exclusively charitable.

The position is based upon the Illinois exemption for sales made by a nonprofit organization to its members, students, patients, or inmates primarily for the purposes of the selling organization.

If you have any questions or if there is a fee for this service, please contact me at the telephone number listed above.

Thank you for your assistance.

Based upon the limited amount of information in your letter, we are unable to make a determination. You may want to submit detailed information to obtain a Private Letter Ruling, as noted below. We would need to know the name of the organization, its tax exemption identification number, the types of items it sells and other pertinent information. We are providing the following general information for your consideration.

Organizations that qualify as exclusively religious, charitable, or educational can apply to the Illinois Department of Revenue to obtain tax exemption identification numbers ("E" numbers). These

numbers establish that the Department recognizes said organizations as exempt from incurring Use Tax when purchasing tangible personal property in furtherance of their organizational purposes.

While organizations and institutions that are both operated and organized exclusively for charitable, religious, or educational purposes are as a general matter subject to Retailers' Occupation Tax upon their own sales of tangible personal property, there are three limited exceptions where such organizations are authorized to engage in a restricted amount of retail selling activity without incurring Retailers' Occupation Tax liability.

These limited amounts of selling are described in 86 Ill. Adm. Code 130.2005(a)(2) through (a)(4), enclosed. An exempt organization may engage in sales to members, noncompetitive sales, and certain occasional dinners and similar activities (two fundraisers a year) without incurring Retailers' Occupation Tax liability. In regard to sales to members, please note that the population to which sales are made is limited to persons specifically associated with that exempt organization and must be for the primary purpose of the selling organization. Organizations could use their E numbers to purchase items for such limited exempt sales. However, if organizations engage in ongoing selling activities (such as Little League concession stands or sales of items in a thrift shop run by a church), they must also register with the Department as retailers, file returns and remit tax.

We do not know if the organization mentioned in your letter has obtained a tax exemption identification number from the Illinois Department of Revenue. If it has such a number, it could engage in one of the three above cited limited types of selling without incurring Retailers' Occupation Tax, so long as it meets the requisite conditions. Please note that if an organization otherwise qualifies to make the noncompetitive sales described at Section 130.2005(a)(3), such sales must be infrequent and the dominant motive of the purchase must be the making of a donation to the charitable or religious organization which conducts the sale, rather than the acquisition of property.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Karl W. Betz  
Associate Counsel

KWB:msk  
Enc.